

**DEHESA SCHOOL DISTRICT**

**COUNTY OF SAN DIEGO**

**AUDIT REPORT**

**June 30, 2004**

**DEHESA SCHOOL DISTRICT  
AUDIT REPORT  
June 30, 2004**

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June 30, 2004**

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# NIGRO NIGRO & WHITE, PC

A PROFESSIONAL ACCOUNTANCY CORPORATION

Jeff Nigro, CPA  
Elizabeth Nigro, CPA  
Christy White, CPA

Board of Trustees  
Dehesa School District  
El Cajon, California

## INDEPENDENT AUDITOR'S REPORT

Temecula Office  
One Ridgeway Drive  
Suite 225  
Temecula, CA 92590  
Phone: 951.698.8783  
Fax: 951.699.1064

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dehesa School District, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Dehesa School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

San Diego Office  
1559 Beryl Street  
San Diego, CA 92109  
Phone: 858.270.3521  
Fax: 858.274.1379

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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Accountancy

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dehesa School District as of June 30, 2004 for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 11 and Budgetary Comparison Schedule on pages 38 and 39 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2004 on our consideration of the Dehesa School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Rigo Rijos & White". The signature is written in a cursive, flowing style.

San Diego, California  
November 9, 2004

**DEHESA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2004**

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This section of Dehesa School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total net assets increased 13.5% over the course of the year to \$2,796,884.
- Overall revenues were \$3,472,728, \$334,276 more than expenses.
- The total cost of basic programs was \$3,138,452.

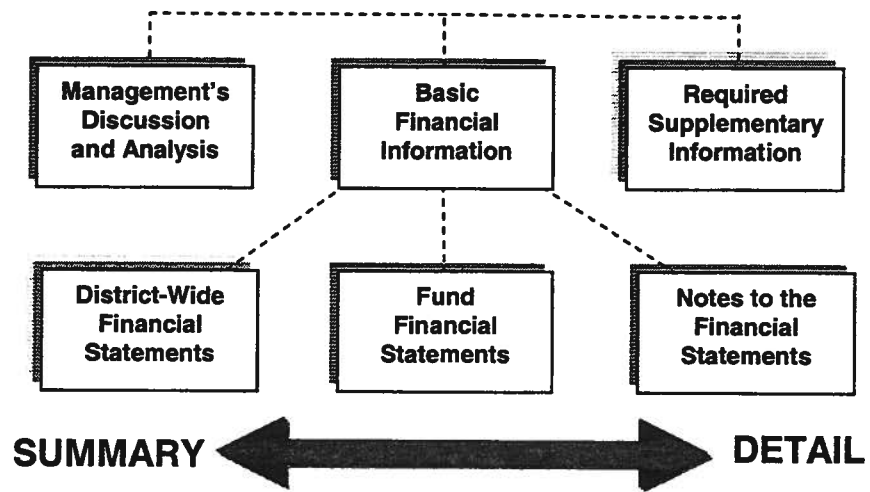
**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financials statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provides more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1. Organization of Dehesa School District's Annual Financial Report**



**DEHESA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2004**

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Figure A-2 summarizes the major features of the District's financial statements, including a portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

Type of Statements	District-Wide	Fund Statements	
		Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as student activities monies (ASB)
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.



**DEHESA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2004**

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The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**District-wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are an indicator of whether it's financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The District's activities are represented in the district-wide financial statements.

- *Governmental activities* – All of the District's basic services are included, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

**Fund Financial Statements**

The fund financials statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like Federal grants).

**DEHESA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2004**

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The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Assets.** The District's combined net assets as of June 30, 2004 were \$2,796,844. (See Table A-1.) Note: Comparisons to the prior year are not shown as the District had not implemented the requirements of GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, until fiscal year 2003-04.

**Table A-1**  
**Summary of Net Assets**

Current and other assets	\$ 1,980,601
Capital assets	1,093,185
Total assets	<u>3,073,786</u>
Long-term debt outstanding	25,250
Other Liabilities	251,652
Total liabilities	<u>276,902</u>
Net assets:	
Invested in capital assets,	
Net of related debt	1,083,375
Restricted	593,297
Unrestricted	1,120,212
<b>Total Net Assets</b>	<b><u><u>\$ 2,796,884</u></u></b>

**DEHESA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2004**

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**Changes in net assets.** The District's total revenues increased 13.5% to \$2.8 million. (See Table A-2) The total cost of all programs and services rose to \$3,138,452. The increase in expenditures is related to the capital expenditures associated with construction. (See Figure A-4.) The purely administrative activities of the District accounted for just 4.5% of total costs. Total revenues surpassed expenses by \$334,276. Note: Comparisons to the prior year are not shown as the District had not implemented the requirements of GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, until fiscal year 2003-04.

**Table A-2**  
**Changes in Dehesa School District's Net Assets**  
**(In dollars)**

<b>Revenues</b>	
Program revenues	
Charges for services	\$ 38,391
Federal & state categorical programs	1,524,780
Capital grants and contributions	9
General revenues	
Property taxes	657,869
State formula aid	1,113,250
Other revenues	138,429
Total revenues	<u>3,472,728</u>
<b>Expenses</b>	
Instructional Services	1,121,559
Student support services	216,627
Maintenance & operations	798,615
Administration	139,569
Other expenses	862,082
Total expenses	<u>3,138,452</u>
<b>Increase (decrease in net assets)</b>	<u><u>\$ 334,276</u></u>

**DEHESA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2004**

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**Governmental Activities**

Revenues for the District's governmental activities increased 35%, while total expenses increased 26%. Revenues slowed, in part due to mid-year cuts by the state. The increase is attributable primarily to deferred maintenance hardship funds received from the State.

Table A-3 presents the cost of five major District activities: instruction and instruction related; student support services; general administration; maintenance, operations and facility acquisition; and miscellaneous other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

The Statement of Activities categorizes the activities presented in Table A-3 by revenue source:

- The cost of all *governmental* activities this year was \$3,138,452
- Some of the cost was paid by the users of the District's programs (\$38,391).
- The federal and state governments subsidized programs with grants and contributions (\$1,524,780).
- Most of the District's costs (\$1,575,272), however, were paid for by District taxpayers and the taxpayers of California. This portion of governmental activities was paid for with property taxes, unrestricted state aid based on the statewide education aid formula.
- Local and miscellaneous revenues account for \$138,429.
- Net assets increased \$334,276.

**Table A-3**  
**Net Costs of Dehesa School District's**  
**Governmental Activities (In dollars)**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instructional services	\$ 1,121,559	\$ 708,805
Pupil support services	216,627	98,167
Maintenance & operations	798,615	( 73,436)
Administration	139,569	(20,346)
Other expenses	862,082	862,082
	\$ 3,138,452	\$ 1,575,272
<b>Total expenses</b>	<b>\$ 3,138,452</b>	<b>\$ 1,575,272</b>

**DEHESA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2004**

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance amount of \$1,726,949.

**General Fund Budgetary Highlights**

Over the course of the year, the Board approves five versions of the operating budget. These budget revisions fall into the categories of Preliminary, Adopted, First Interim, Second Interim, and Final Adopted.

Major budget amendments in revenue for the year include changes in Revenue Limit; federal grants such as IDEA Special Ed, Title I, Safe and Drug Free Schools; state amounts such as Special Ed Master Plan, EIA, Class Size Reduction, Lottery, Instructional Materials.

The District's final budget for the general fund show anticipated revenues to be approximately \$13,945 under expenditures, whereas the actual results for the year show a \$38,941 under.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2004 the District had invested \$2,097,497 in a broad range of capital assets, including: land improvements, building construction, work in progress, and equipment. (See Table A-4). Total depreciation expense for the year was \$85,523. Additions to capital assets amounted to \$15,181. Disposals of capital assets amounted to \$35,000.

Dehesa School District's student average daily attendance has increased 16% since 2002 to reach a present enrollment of 197.

**Table A-4**  
**Capital Assets**

	<u>30-Jun-04</u>
Land	\$ 3,000
Improvement of Sites	9,900
Buildings	1,737,652
Equipment	<u>346,945</u>
Total at historical cost	<u>\$ 2,097,497</u>

**DEHESA SCHOOL DISTRICT  
Management's Discussion and Analysis (Unaudited)  
June 30, 2004**

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**CAPITAL ASSET AND DEBT ADMINISTRATION, Continued**

**Long-Term Debt**

At year-end the District had \$25,250 in Capital Leases and Compensated Absences – a reduction of 18.98% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

**Table A-5  
Long-term Debt**

	<u>2004</u>
Compensated absences	\$ 15,440
Capital leases	<u>9,810</u>
<b>Total</b>	<u>\$ 25,250</u>

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the only known circumstance that could significantly affect its financial health in the future would be the State's continuing economic decline and its impact on the State budget.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Crystal Heringer, Business Manager, Dehesa School District, 4612 Dehesa Road, El Cajon, California 92019.

**DEHESA SCHOOL DISTRICT**  
**Statement of Net Assets**  
**As of June 30, 2004**

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	Total Governmental Activities
<b>ASSETS</b>	
Cash	\$ 1,746,761
Accounts receivable	233,840
Capital assets:	
Land	3,000
Improvement of sites	9,900
Buildings	1,737,652
Furniture and equipment	346,945
Less accumulated depreciation	(1,004,312)
Total capital assets, net of depreciation	<u>1,093,185</u>
Total assets	<u>\$ 3,073,786</u>
<b>LIABILITIES</b>	
Accounts payable and current liabilities	\$ 246,838
Deferred revenues	4,814
Long-term liabilities:	
Portion due or payable within one year:	
Capital leases payable	3,589
Portion due or payable after one year:	
Compensated absences payable	15,440
Capital leases payable	6,221
Total liabilities	<u>276,902</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,083,375
Restricted for:	
Capital projects	555,974
Categorical programs	37,323
Unrestricted	<u>1,120,212</u>
Total Net Assets	<u>\$ 2,796,884</u>

The notes to the financial statements are an integral part of this statement.

**DEHESA SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2004**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instructional Services:					
Instruction	\$ 971,097	\$ -	\$ 412,745	\$ 9	\$ (558,343)
Instruction-Related Services:					
Instructional library, media and technology	302	-	-	-	(302)
School site administration	150,160	-	-	-	(150,160)
Pupil Support Services:					
Home-to-school transportation	113,340	-	63,470	-	(49,870)
Food services	66,777	38,391	16,599	-	(11,787)
All other pupil services	36,510	-	-	-	(36,510)
General Administration Services:					
Other general administration	139,569	-	159,915	-	20,346
Plant services	798,615	-	872,051	-	73,436
Other outgo	775,945	-	-	-	(775,945)
Interest	614	-	-	-	(614)
Depreciation(unallocated)	85,523	-	-	-	(85,523)
Total Governmental Activities	\$ 3,138,452	\$ 38,391	\$ 1,524,780	\$ 9	\$ (1,575,272)
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					
Federal and state aid not restricted to specific purpose					
Interest and investment earnings					
Miscellaneous					
Total general revenues					
Change in net assets					
Net assets - July 1, 2003					
Net assets - June 30, 2004					

The notes to the financial statements are an integral part of this statement.



**DEHESA SCHOOL DISTRICT**  
**Balance Sheet – Governmental Funds**  
**As of June 30, 2004**

	General Fund	Deferred Maintenance Fund	Capital Facilities Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 468,750	\$ 677,442	\$ 365,051	\$ 235,518	\$ 1,746,761
Accounts receivable	203,054	3,149	1,383	26,254	233,840
Due from other funds	15,926	19,528	-	-	35,454
<b>Total Assets</b>	<b>687,730</b>	<b>700,119</b>	<b>366,434</b>	<b>261,772</b>	<b>2,016,055</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	128,331	115,784	-	2,723	246,838
Due to other funds	19,528	2,426	-	13,500	35,454
Deferred revenue	4,814	-	-	-	4,814
<b>Total Liabilities</b>	<b>152,673</b>	<b>118,210</b>	<b>-</b>	<b>16,223</b>	<b>287,106</b>
<b>Fund Balances</b>					
Reserved for:					
Revolving cash	1,000	-	-	-	1,000
Categorical programs	37,323	-	-	-	37,323
Unreserved:					
General Fund	496,734	-	-	-	496,734
Special Reserve Fund		581,909	-	238,950	820,859
Capital Projects Fund		-	366,434	6,599	373,033
<b>Total Fund Balances</b>	<b>535,057</b>	<b>581,909</b>	<b>366,434</b>	<b>245,549</b>	<b>1,728,949</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 687,730</b>	<b>\$ 700,119</b>	<b>\$ 366,434</b>	<b>\$ 261,772</b>	<b>\$ 2,016,055</b>

The notes to the financial statements are an integral part of this statement.

**DEHESA SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2004**

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**Total fund balances - governmental funds** \$ 1,728,949

Amounts reported for governmental *activities* in the statement of net assets are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$2,167,497 and the accumulated depreciation is \$1,004,312. 1,093,185

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Capital leases payable	9,810	
Compensated absences	15,440	
		<u>(25,250)</u>

**Total net assets - governmental activities** \$ 2,796,884

The notes to the financial statements are an integral part of this statement.

**DEHESA SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds**  
**For the Year Ended June 30, 2004**

	General Fund	Deferred Maintenance Fund	Capital Facilities Fund	Other Funds	Total Governmental Funds
<b>REVENUES</b>					
General Revenues:					
Property taxes	\$ 657,869	\$ -	\$ -	\$ -	\$ 657,869
Federal and state aid not restricted to specific purpose	1,113,249	-	-	-	1,113,249
Earnings on investments	12,044	-	5,968	2,294	20,306
Miscellaneous	2,741	35,825	30,331	49,226	118,123
Program Revenues:					
Charges for services	-	-	-	38,391	38,391
Operating grants and contributions	631,849	872,052	-	20,880	1,524,781
Capital grants and contributions	-	-	-	9	9
Total revenues	<u>2,417,752</u>	<u>907,877</u>	<u>36,299</u>	<u>110,800</u>	<u>3,472,728</u>
<b>EXPENDITURES</b>					
Instructional Services:					
Instruction	971,097	-	-	-	971,097
Instruction-Related Services:					
Instructional library, media and technology	302	-	-	-	302
School site administration	150,160	-	-	-	150,160
Pupil Support Services:					
Home-to-school transportation	128,521	-	-	-	128,521
Food services	15,078	-	-	51,699	66,777
All other pupil services	3,324	-	-	33,186	36,510
General Administration Services:					
Other general administration	136,265	-	452	-	136,717
Plant services	171,815	596,521	30,258	22	798,616
Other outgo:					
Transfers between agencies	775,945	-	-	-	775,945
Debt service - principal	6,563	-	-	-	6,563
Debt service - interest	614	-	-	-	614
Total Expenditures	<u>2,359,684</u>	<u>596,521</u>	<u>30,710</u>	<u>84,907</u>	<u>3,071,822</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>58,068</u>	<u>311,356</u>	<u>5,589</u>	<u>25,893</u>	<u>400,906</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	2,980	9,764	-	90,226	102,970
Interfund transfers out	(99,989)	-	-	-	(99,989)
Total Other Financing Sources and Uses	<u>(97,009)</u>	<u>9,764</u>	<u>-</u>	<u>90,226</u>	<u>2,981</u>
Net Change in Fund Balances	(38,941)	321,120	5,589	116,119	403,887
Fund Balances, July 1, 2003	573,998	260,789	360,845	129,430	1,325,062
Fund Balances, June 30, 2004	<u>\$ 535,057</u>	<u>\$ 581,909</u>	<u>\$ 366,434</u>	<u>\$ 245,549</u>	<u>\$ 1,728,949</u>

The notes to the financial statements are an integral part of this statement.

**DEHESA SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Statement of Activities**  
**June 30, 2004**

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<b>Total net change in fund balances - governmental funds</b>	<b>\$ 403,887</b>
Amounts reported for governmental <i>activities</i> in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures (\$15,181) and depreciation expense (\$85,523) for the period is:	(70,342)
Repayments of long-term debt are reported as expenditures in the governmental funds. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:	2,976
In the statement of activities, compensated absences are measured by the amounts <i>earned</i> during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually <i>paid</i> .)	<u>(2,245)</u>
<b>Change in net assets of governmental activities</b>	<b><u><u>\$ 334,276</u></u></b>

The notes to the financial statements are an integral part of this statement.

**DEHESA SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets – Fiduciary and Agency Funds**  
**As of June 30, 2004**

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	Trust Fund	Agency Fund
	Retiree Benefit Fund	Student Body Funds
<b>Assets</b>		
Cash	\$ -	\$ 19,658
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 19,658</b>
<b>Liabilities</b>		
Due to Student Groups	\$ -	\$ 19,658
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 19,658</b>

The notes to the financial statements are an integral part of this statement.

**DEHESA SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Assets**  
**As of June 30, 2004**

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	<u>Retiree Benefit Fund</u>
<b>ADDITIONS</b>	\$ -
<b>DEDUCTIONS</b>	
Transfer out to other fund	<u>2,980</u>
Change in net assets	<u>(2,980)</u>
Net assets - July 1, 2003	<u>2,980</u>
Net assets - June 30, 2004	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The District includes all funds that are controlled by the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in generally accepted accounting principles. Based upon those criteria, the District has determined that there are no potential component units that should be included in the District's financial reporting entity.

**B. Accounting Policies**

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**C. Implementation of New Accounting Pronouncements**

For the year ended June 30, 2004, the District was required to adopt GASB Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37 (GASB 37), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38 (GASB 38), *Certain Financial Statement Note Disclosures*. GASB 34 significantly changes the way state and local governments are required to report financial information using both fund-based and government-wide financial statement presentations. Fund-based statements continue to use the modified accrual basis of accounting, but the government-wide statement uses full accrual basis of accounting. In addition to the change in the financial statement presentation, GASB 34 requires the reporting of capital assets and long-term obligations on the government-wide financial statements. The preparation of a Management Discussion and Analysis to clarify the district's financial activities is also required by GASB 34. Furthermore, the district's notes to the financial statements incorporate modifications as required under GASB 38. The effect of implementing GASB 34 resulted in a conversion of fund balance to net assets for an increase of \$1,137,546, for net asset balance of \$2,462,608, at June 30, 2004 on the government-wide financial statements.

**DEHESA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

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**D. Basis of Presentation**

*Government-wide Financial Statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement activities) report information on all of the nonfiduciary activities of the district.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the district's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The district does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the district, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the district.

**Fund Financial Statements:**

Fund financial statements report detailed information about the district. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All government funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.



**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

**Revenues – exchange and non-exchange transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the district, “available” means collective within the current period or within 60 days after yearend.

Non-exchange transactions, in which the district receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the district must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the district on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred revenue:**

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

E. Basis of Accounting (continued)

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the district's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

**DEHESA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

F. Fund Accounting (continued)

Non-Major Governmental Funds:

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains three non-major special revenue funds:

1. The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service operations.
2. The *Child Development Fund* is used to account for resources committed to child development programs maintained by the District.
3. The *Special Reserve Fund Other than Capital Outlay* is used for the purpose of future technical support.

*Capital Projects Funds* are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains two non-major capital project funds:

1. The *State School Building Lease-Purchase Fund* is used to account for state apportionments provided for construction and modernization of school facilities.
2. The *Special Reserve Fund* is used to account for the acquisition of major governmental capital facilities and buildings.

Fiduciary Funds:

1. *Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains one agency fund for the student body fund.
2. *Retiree Benefit Fund* is used to accumulate funds for the payment of post-employment health care benefits.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

**DEHESA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

I. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. It is the adopted and final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

J. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

**DEHESA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

J. Assets, Liabilities, and Equity (continued)

2. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & tools	Shop & maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science & engineering	Lab equipment, scientific apparatus	10
Furniture & accessories	Classroom & other furniture	20
Business machines	Fax, duplicating & printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still & digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, bass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

J. Assets, Liabilities, and Equity (continued)

3. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

4. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The liabilities are recognized in long term debt.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

5. Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide statements.

6. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of the fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund reflects the portion of fund balance represented by revolving fund cash. These amounts are not available for appropriation and expenditure as of the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

**DEHESA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

J. Assets, Liabilities, and Equity (continued)

7. Revenue Limit/Property Tax

The district's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll—approximately October 1 of each year.

The County Auditor reports the amount of the district's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the district.

The California Department of Education reduces the district's entitlement by the district's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The district's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the district is entitled by law. This amount is multiplied by the second period ADA to derive the district's total entitlement.

**DEHESA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CASH AND DEPOSITS**

**Cash in County Treasury**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego Treasury as part of the common investment pool (\$1,745,206 as of June 30, 2004). The fair market value of this pool as of June 30, 2004, as provided by the pool sponsor, was \$1,731,593. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

A summary of deposits as of June 30, 2004, is as follows:

Deposits:	<u>Fair Market Value</u>	<u>Cost</u>
Cash in county treasury	\$ 1,731,593	\$ 1,745,206
Cash in banks	20,213	20,213
Cash in revolving fund	1,000	1,000
Total	<u>\$ 1,752,806</u>	<u>\$ 1,766,419</u>

All Cash balances in banks are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.



**DEHESA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Certificated Salaries	\$ 40,912
Classified Salaries	29,631
Capital Outlay	15,463

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2004 consist of the following:

	<u>General Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Federal Government:					
Federal Programs	\$ 39,970	\$ -	\$ -	\$ -	\$ 39,970
State Government:					
Revenue Limit	97,538	-	-	-	97,538
Categorical aid programs	49,493	-	-	-	49,493
Lottery	12,553	-	-	-	12,553
Local:					
Other	-	-	-	21,190	21,190
Interest	3,500	3,149	1,383	5,064	13,096
	<u>\$ 203,054</u>	<u>\$ 3,149</u>	<u>\$ 1,383</u>	<u>\$ 26,254</u>	<u>\$ 233,840</u>

**DEHESA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 5 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2004 is shown below:

	Beginning Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>30-Jun-04</u>
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Improvement of Sites	9,900			9,900
Buildings	1,737,652	-	-	1,737,652
Equipment	366,764	15,181	35,000	346,945
Total at historical cost	<u>2,117,316</u>	<u>15,181</u>	<u>35,000</u>	<u>2,097,497</u>
Less accumulated depreciation:				
Improvement of sites	9,900	-	-	9,900
Buildings	668,884	61,316	-	730,200
Equipment	240,005	24,207	-	264,212
Total accumulated depreciation	<u>918,789</u>	<u>85,523</u>	<u>-</u>	<u>1,004,312</u>
Governmental activities capital assets, net	<u>\$ 1,198,527</u>	<u>\$ (70,342)</u>	<u>\$ 35,000</u>	<u>\$ 1,093,185</u>

**NOTE 6 - INTERFUND ACTIVITIES**

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**DEHESA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 6 - INTERFUND ACTIVITIES (continued)**

Due From/Due To Other Funds

Individual interfund receivable and payable balances as of June 30, 2004 are as follows:

Due From	Due To	Amount
Cafeteria	General Fund	\$ 13,500
Deferred Maintenance	General Fund	2,426
General Fund	Deferred Maintenance	19,528
		<u>19,528</u>
		<u>\$ 35,454</u>
To transfer payroll expense from the General Fund to the Cafeteria Fund		\$ 13,500
To reimburse the General Fund for expenditures incurred on behalf of the Deferred Maintenance Fund		2,426
To transfer funds from the Deferred Maintenance Fund to the General Fund for State match		19,528
		<u>19,528</u>
Total		<u>\$ 35,454</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers for the 2003-04 fiscal year are as follows:

<u>Fund</u>	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund	\$ 2,980	\$ 99,989
Retiree Benefit Fund	-	2,980
Deferred Maintenance	9,764	-
S.R. for other than Cap. Outlay	90,225	-
Totals	<u>\$ 102,969</u>	<u>\$ 102,969</u>
To close out the retiree benefit fund		\$ 2,980
To meet the State's deferred maintenance match		9,764
Funds transferred to Special Reserve for board designated purposes		90,225
		<u>\$ 102,969</u>

**DEHESA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 7 – GENERAL LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2004 is shown below.

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004	Amount Due Within One Year
Compensated absences	\$ 13,195	\$ 2,245	\$ -	\$ 15,440	\$ -
Capital leases	12,786	-	2,976	9,810	3,589
Totals	<u>\$ 25,981</u>	<u>\$ 2,245</u>	<u>\$ 2,976</u>	<u>\$ 25,250</u>	<u>\$ 3,589</u>

**Capital Leases**

The District leases certain equipment under an agreement that provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2005	\$ 3,589
2006	3,589
2007	3,589
Sub-Total	<u>10,767</u>
Less: Amount Representing Interest	<u>(957)</u>
Present Value of Net Minimum Lease Payment:	<u>\$ 9,810</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment.

**DEHESA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 8 – JOINT VENTURES**

The Dehesa School District participates in one joint venture under a joint powers agreement (JPA), the San Diego County Schools Risk Management JPA (RM). The relationship between the Dehesa School District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provide workers' compensation, health, and property and liability insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

Condensed unaudited financial information (most currently available) for the year ended June 30, 2003 is as follows:

	<u>RM</u>
Total Assets	\$ 33,310,596
Total Liabilities	25,464,987
Fund Equity	<u>\$ 7,845,609</u>
Total Revenues	\$ 38,286,188
Total Expenditures	44,370,697
Net Increase/(Decrease) in Fund Balance	<u>\$ (6,084,509)</u>

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

**State and Federal Allowances, Awards, and Grants**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

**NOTE 10- RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District participates in a public entity risk pool, as described in Note 8, for claims in excess of insured amounts and purchases commercial insurance coverage for other types of risk.

**DEHESA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 11 - EMPLOYEE RETIREMENT PLANS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

**Plan Description and Provisions**

**Public Employees' Retirement System (PERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

**Funding Policy**

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute. The required employer contribution rate for fiscal year 2003-04 was 10.42%. The District made \$28,808 in contributions to CalPERS for the fiscal years ending June 30, 2004, \$34,175 in contributions to CalPERS for the fiscal year ending June 30, 2003 and \$30,065 in contributions for fiscal year ending June 30, 2002, all of which represents 100% of the required contributions for each fiscal year.

**DEHESA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 11 - EMPLOYEE RETIREMENT PLANS (continued)**

**State Teachers' Retirement System (STRS)**

**Plan Description**

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

**Funding Policy**

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2003-04 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2004, 2003, and 2002 were \$57,817, \$49,666, and \$46,202 respectively, and equal 100% of the required contributions for each year.

**NOTE 12 - ON-BEHALF PAYMENTS**

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of \$7,961 to STRS (2.28% of salaries subject to STRS).

**REQUIRED SUPPLEMENTARY INFORMATION SECTION**



**DEHESA SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget (Non-GAAP) and Actual – General Fund**  
**June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Revenue Limit Sources	\$ 1,302,633	\$ 1,426,546	\$ 1,414,485	\$ (12,061)
Federal	63,231	63,242	237,333	174,091
Other State	225,864	225,867	281,696	55,829
Other Local	162,260	195,149	484,238	289,089
Total Revenues	<u>1,753,988</u>	<u>1,910,804</u>	<u>2,417,752</u>	<u>506,948</u>
<b>Expenditures</b>				
Certificated Salaries	661,101	668,424	709,336	(40,912)
Classified Salaries	344,315	350,652	380,283	(29,631)
Employee Benefits	229,285	229,285	205,021	24,264
Books and Supplies	73,380	86,566	116,675	(30,109)
Services and Other Operating Expenditures	104,204	105,957	149,784	(43,827)
Capital Outlay	-	-	15,463	(15,463)
Other Outgo	351,500	474,101	783,122	309,021
Total Expenditures	<u>1,763,785</u>	<u>1,914,985</u>	<u>2,359,684</u>	<u>173,343</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,797)</u>	<u>(4,181)</u>	<u>58,068</u>	<u>680,291</u>
<b>Other Financing Sources and Uses</b>				
Interfund Transfers In	-	-	2,980	2,980
Interfund Transfers Out	9,764	9,764	99,989	90,225
Total Other Financing Sources and Uses	<u>(9,764)</u>	<u>(9,764)</u>	<u>(97,009)</u>	<u>(87,245)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(19,561)</u>	<u>(13,945)</u>	<u>(38,941)</u>	<u>(24,996)</u>
Fund Balances, July 1, 2003	<u>573,998</u>	<u>573,998</u>	<u>573,998</u>	<u>-</u>
Fund Balances, June 30, 2004	<u>\$ 554,437</u>	<u>\$ 560,053</u>	<u>\$ 535,057</u>	<u>\$ (24,996)</u>

The notes to the financial statements are an integral part of this statement.

**DEHESA SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance --**  
**Budget (Non-GAAP) and Actual -- Deferred Maintenance Fund**  
**June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Other State	\$ 4,000	\$ 860,344	\$ 860,344	\$ -
Other Local	3,400	8,000	47,533	39,533
<b>Total Revenues</b>	<u>7,400</u>	<u>868,344</u>	<u>907,877</u>	<u>39,533</u>
<b>Expenditures</b>				
Books and Supplies	-	15,570	15,570	-
Capital Outlay	25,000	878,109	580,951	297,158
<b>Total Expenditures</b>	<u>25,000</u>	<u>893,679</u>	<u>596,521</u>	<u>297,158</u>
<b>Excess (Deficiency) of Revenues</b> <b>Over (Under) Expenditures</b>	<u>(17,600)</u>	<u>(25,335)</u>	<u>311,356</u>	<u>336,691</u>
<b>Other Financing Sources</b>				
Interfund Transfers In	9,764	9,764	9,764	-
<b>Total Other Financing Sources</b>	<u>9,764</u>	<u>9,764</u>	<u>9,764</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and</b> <b>Other Financing Sources Over (Under)</b> <b>Expenditures</b>	<u>(7,836)</u>	<u>(15,571)</u>	<u>321,120</u>	<u>336,691</u>
<b>Fund Balances, July 1, 2003</b>	<u>260,789</u>	<u>260,789</u>	<u>260,789</u>	<u>-</u>
<b>Fund Balances, June 30, 2004</b>	<u>\$ 252,953</u>	<u>\$ 245,218</u>	<u>\$ 581,909</u>	<u>\$ 336,691</u>

The notes to the financial statements are an integral part of this statement.

**SUPPLEMENTARY INFORMATION SECTION**

**DEHESA SCHOOL DISTRICT**  
**History and Organization**  
**June 30, 2004**

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The Dehesa School District was established in 1876 and is comprised of approximately 19 square miles, located in San Diego County. There were no changes in the boundaries of the District during the current year. The District is currently operating one elementary school, and sponsors one charter school.

**GOVERNING BOARD**

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Denise Hujing	President	November 2006
Jeff F. Royal, Sr.	Vice President	November 2004
Cynthia White	Clerk	November 2006
Charles Huskey	Member	November 2006
Janice Green	Member	November 2004

**DISTRICT ADMINISTRATORS**

Barbara Rohrer  
*Superintendent*

Crystal Heringer  
*Business Manager*

**DEHESA SCHOOL DISTRICT**  
**Schedule of Average Daily Attendance**  
**Year Ended June 30, 2004**

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	<u>Second Period Report</u>	<u>Annual Report</u>
<b>Regular Elementary</b>		
Kindergarten	34	36
Grades 1 Through 3	78	78
Grades 4 Through 6	<u>85</u>	<u>85</u>
 Total Average Daily Attendance	 <u>197</u>	 <u>199</u>
	 <u>Hours of Attendance</u>	
<u>Supplemental Instruction Hours</u>		
Grades K - 6 core instruction	200	
Grades 2 - 6 pupils at risk of retention	<u>1,356</u>	
 Total Supplementary Hours	 <u>1,556</u>	

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**DEHESA SCHOOL DISTRICT**  
**Schedule of Instructional Time**  
**Year Ended June 30, 2004**

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<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2003-2004 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	34,905	36,000	38,010	181	Complied
Grades 1 through 3	47,505	50,400	56,715	181	Complied
Grades 4 through 8	55,245	54,000	56,715	181	Complied

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

**DEHESA SCHOOL DISTRICT**  
**Schedule of Financial Trends and Analysis**  
**Year Ended June 30, 2004**

General Fund	(Budget) 2005*	2004	2003	2002
Revenues and other financing sources	\$ 2,319,925	\$ 2,420,732	\$ 2,406,408	\$ 1,600,590
Expenditures	2,375,185	2,359,684	2,176,433	1,456,508
Other uses and transfers out	9,764	99,989	70,105	6,328
Total Outgo	2,384,949	2,459,673	2,246,538	1,462,836
Change in fund balance (deficit)	(65,024)	(38,941)	159,870	137,754
Ending fund balance	\$ 470,033	\$ 535,057	\$ 573,998	\$ 414,128
Available Reserves <sup>1</sup>	\$ 504,212	\$ 508,161	\$ 572,998	\$ 326,308
Available Reserves as a percentage of Total Outgo	21.1%	20.7%	25.5%	22.3%
Total Long-Term Debt	\$ 17,931	\$ 21,049	\$ 25,981	\$ 22,435
Average Daily Attendance at P-2 <sup>2</sup>	197	197	196	170

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

The General Fund balance has increased by \$120,929 over the past two years. The fiscal year 2004-05 adopted budget projects a decrease of \$65,024. For a district of this size, the state recommends available reserves of at least the greater of \$50,000 or 4% of total general fund expenditures, transfers out, and other uses (total outgo).

<sup>1</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund.

\*As of September 2004

**DEHESA SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2004**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Federal Programs:</b>			
U.S.Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
Needy School Breakfast	10.553	13526	\$ 3,056
National School Lunch	10.555	13523	17,526
Total U.S.Department of Agriculture			20,582
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I - Grants to Local Educational Agencies	84.010	13797	12,490
Title VI - Innovative Strategies	84.298A	14354	3,889
Title VI - Rural and Low Income School Program	84.358A	14356	28,449
Drug Free School	84.186	13453	752
Indian Education	84.060A	10011	5,820
Individuals with Disabilities Education Act (IDEA):			
Basic Local Assistance, Part B	84.027	13379	77,951
Local Staff Development Grant, Part B	84.027	13613	142
Special Education Low Incidence	84.027A	13459	42
Total U.S.Department of Education			129,535
<b>Total Expenditures of Federal Awards</b>			<b>\$ 150,117</b>

The accompanying notes are an integral part of this schedule.



**DEHESA SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2004**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Dehesa School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 2 – SUBRECIPIENTS**

Of the federal awards presented in the schedule, Dehesa School District provided no federal awards to subrecipients.

**DEHESA SCHOOL DISTRICT**  
**Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**  
**Year Ended June 30, 2004**

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This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS Report to the audited financial statements. Funds that required no adjustment are not presented.

	<u>Deferred Maintenance Fund</u>	<u>Schedule of Debt</u>
June 30, 2004, annual financial and budget report (SACS) fund balances and totals	\$ 697,693	\$ 22,132
Adjustments and reclassifications:		
Increasing (decreasing) the balances:		
Increasing capital leases payable		3,118
Increasing accounts payables	(115,784)	-
Net adjustments and reclassifications	<u>(115,784)</u>	<u>3,118</u>
June 30, 2004, unaudited financial statement balance	<u>\$ 581,909</u>	<u>\$ 25,250</u>

**DEHESA SCHOOL DISTRICT**  
**Schedule of Charter Schools**  
**Year Ended June 30, 2004**

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On September 26, 2001, the governing board of the Dehesa School District (District) granted a charter to the Dehesa Charter School, Inc., a non-profit public benefit corporation. The Charter is located in San Diego County and provides a personalized home schooling program for pupils residing in San Diego, Riverside and Orange counties.

The charter school is required to contract for an annual audit. At the time of the District's audit, the charter school audit had not been completed. The financial statements of the charter schools have not been included in the District's financial statements.

**OTHER INDEPENDENT AUDITOR'S REPORTS**

# NIGRO NIGRO & WHITE, PC

A PROFESSIONAL ACCOUNTANCY CORPORATION

Jeff Nigro, CPA  
Elizabeth Nigro, CPA  
Christy White, CPA

Board of Trustees  
Dehesa School District  
El Cajon, California

## Temecula Office

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## San Diego Office

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San Diego, CA 92109

Phone: 858.270.3521  
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## Members of:

American  
Institute  
of CPAs

California  
Society  
of CPAs

California  
Association  
of School  
Business  
Officials

Community  
Associations  
Institute

Licensed by  
the California  
State Board of  
Accountancy

## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of Dehesa School District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 9, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Dehesa School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standard*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dehesa School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over

financial reporting that, in our judgment, could adversely affect Dehesa School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Section II of the accompanying schedule of findings and recommendations.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.



San Diego, California  
November 9, 2004

# NIGRO NIGRO & WHITE, PC

A PROFESSIONAL ACCOUNTANCY CORPORATION

Jeff Nigro, CPA  
 Elizabeth Nigro, CPA  
 Christy White, CPA

**Board of Trustees  
 Dehesa School District  
 El Cajon, California**

## AUDITOR'S REPORT ON STATE COMPLIANCE

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### San Diego Office

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 San Diego, CA 92109  
 Phone: 858.270.3521  
 Fax: 858.274.1379

We have audited the general purpose financial statements of the Dehesa School District, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 9, 2004. Our audit was made in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:

Members of:

American  
 Institute  
 of CPAs

California  
 Society  
 of CPAs

California  
 Association  
 of School  
 Business  
 Officials

Community  
 Associations  
 Institute

Licensed by  
 the California  
 State Board of  
 Accountancy

Description	Procedures in Controller's Audit Guide	Procedures Performed
<b>Attendance Accounting:</b>		
Attendance Reporting	6	Yes
Kindergarten Continuance	3	Yes
Independent Study	22	No (see below)
Continuation Education	10	Not Applicable
Adult Education	9	Not Applicable

Description	Procedures in Controller's Audit Guide	Procedures Performed
Regional Occupational Center/Programs Instructional Time and Staff Development Reform Program	6	Not Applicable
Instructional Time: School Districts	7	Yes
County Offices of Education	4	Yes
Community Day Schools	3	Not Applicable
Class Size Reduction Program: General Requirements	9	Not Applicable
Option One	7	Yes
Option Two	3	Yes
Districts with only one school serving K-3	4	Not Applicable
Instructional Materials: General Requirements	4	Yes
K-8 only	9	Yes
Grades 9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Not Applicable
Early Retirement Incentive Program	1	Yes
Gann Limit Calculation	4	Not Applicable
	1	Yes

We did not perform testing for independent study because the ADA was below the level that requires testing.

Based on our audit, we found that, for the items tested, the Dehesa School District complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Dehesa School District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the Board, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Nigel Nijes & White*

San Diego, California  
November 9, 2004



## **FINDINGS AND RECOMMENDATIONS SECTION**

**DEHESA SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**Year Ended June 30, 2004**

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**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Reporting condition(s) identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

***Federal Awards (district is not subject to a Single Audit as  
federal expenditures are less than \$500,000 in 2003-2004)***

***State Awards***

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Reporting condition(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for state programs:	<u>Unqualified</u>

**DEHESA SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**Year Ended June 30, 2004**

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**Section II – Financial Statement Findings**

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following six categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
50000	Federal Compliance
60000	Miscellaneous

**Finding 2004-1 – AM/PM Cash Receipts (30000)**

The District uses a billing system for the AM/PM program that includes sending out invoices. When paid by the parent, the cash is turned in at office or the AM/PM center. We found that there is no clear audit trail to trace the invoiced amount, cash collected and deposited to the bank. As a result, we could not properly trace the cash collections to the deposits at the local bank.

**Recommendation:** We recommend a system be devised to track cash receipts against the invoiced amounts and then to the bank deposits. There should also be adequate documentation to show the amounts transferred each month from the local bank to the county treasury account.

**District Response:** The District will deposit all funds into a clearing account first, keeping receipts as an audit trail, and then periodically transfer the funds to the county treasury.

**DEHESA SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**Year Ended June 30, 2004**

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**Section II – Financial Statement Findings (continued)**

**Finding 2004-2: Clearing Account (30000)**

For AM/PM and Cafeteria cash collections, the District is depositing the cash into the local bank and then writes a check to the county treasury to transfer the funds. However, there doesn't appear to be a reconciliation to show that all funds deposited are cleared monthly to the county treasury account.

**Recommendation:** The District should use a local bank account as a clearing account for the cash collection system. This means the account is reconciled to zero each month as money is moved. A clearing account provides a better audit trail for cash deposits.

**District Response:** The District will reconcile the clearing account transfers to the county treasury to amounts originally deposited in the account.

**Finding 2004-3: Lack of inventory being performed (30000)**

There is no inventory count being performed on items with a cost of \$500 or more. An inventory listing is necessary especially for those items most susceptible to theft.

**Recommendation:** We recommend inventory to be taken and periodically counted to prevent or detect theft or loss of items.

**District Response:** The District is working on implementing inventory procedures.

**DEHESA SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**Year Ended June 30, 2004**

---

**Section II – Financial Statement Findings (continued)**

**Finding 2004-4: Associated Student Body (ASB) Funds (30000)**

There were two areas of internal control weakness that we found during the audit of the ASB account. First, there is a lack of segregation of duties of the bookkeeper. The bookkeeper handles the cash, keeps the records, reconciles the bank account and is a co-signor on the checks. Second, there is no cash receipt system used for ASB cash collections.

**Recommendation:** We recommend the ASB bookkeeper at a minimum not be a signor on the ASB account. In addition, it would be preferable if someone else handled the cash deposits. For cash receipts, pre-numbered cash receipts are recommended for use.

**District Response:** There is a 2-signature requirement for each check written, but we will write cash receipts when money is turned in for deposit.

**DEHESA SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**Year Ended June 30, 2004**

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**Section III – Federal Award Findings and Questioned Costs**

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no findings or questioned costs related to federal awards in 2003-04.*

**DEHESA SCHOOL DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**Year Ended June 30, 2004**

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**Section IV – State Award Findings and Questioned Costs**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

*There were no findings or questioned costs related to state awards in 2003-04.*

**DEHESA SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2004**

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*There were no audit findings for fiscal year ending June 30, 2003.*



